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C O N F I D E N T I A L BUDAPEST 002027

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DEPARTMENT PLEASE PASS TO NSC - DAMON WILSON

E.O. 12958: DECL: 10/04/2011

TAGS: PGOV KDEM HU

SUBJECT: HUNGARIAN STAND-OFF: DEMONSTRATIONS, CONFIDENCE VOTE APPROACH

REF: BUDAPEST 2005 AND PREVIOUS

Classified By: POL/C Eric V. Gaudiosi; Reasons 1.4 (b) and (d)

¶1. (SBU) Hungarian politics ventured further into the unknown as FIDESZ stood by its call for mass demonstrations in the absence of PM Gyurcsany's resignation or removal from office by October 6.

¶2. (SBU) Although FIDESZ had initially rejected participation in the Gyurcsany government's planned confidence vote in Parliament (REFTEL), claiming that the open vote would be a farce, it reversed its decision on the afternoon of October 4 at the request of President Solyom.

¶3. (SBU) FIDESZ's website now features a large clock counting down to noon "deadline" on October 6, and talk of the ultimatum has drowned out more moderate voices. Orban continues to drive the party to actions former PM Horn described as "without precedent in Europe" and former PM Boross characterized as "more in keeping with medieval siege warfare than modern politics." Although moderate Debrecen Mayor Lajos Kosa (FIDESZ) has criticized the party's use of "the tactics of last resort," even he suggested the party's call for protests now is an effort to forestall "open revolt" if the government's austerity measures go into effect.

¶4. (C) Comment: The distance between political conflict and open confrontation is narrowing. Long-time political observers cannot remember a time of equivalent antipathy between the government and the opposition, and the confidence vote will not solve the problem. As PM Gyurcsany has noted, this is fundamentally about the minority's refusal to accept the majority's right to govern. FIDESZ has set Gyurcsany's removal as its objective and set few limits on its tactics whatever the potential consequences. And the risk is not just of domestic political gridlock. Further deterioration of the situation could have serious international financial repercussions if foreign investors withdraw their capital and foreign creditors call in their loans. Financial markets have already begun to reflect investor worries, with a weakened forint and depressed stock index. A current analysis suggests that Hungary, a traditional foreign direct investment destination, may now be experiencing at least a period of net capital outflows. End Comment.

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